

## CAFE Info Sheet 1

### What is CAFE?

Corporate Average Fuel Economy, or CAFE, refers to a program created to determine vehicle manufacturers' compliance with the fuel economy standards set by the federal government. These standards, and the compliance provisions, were first set for passenger cars by Congress in the Energy Policy and Conservation Act (EPCA) of 1975. In 1977 light-duty trucks were added. This act specified that compliance with the fuel economy standards would be determined on the basis of each manufacturer's average fuel economy for the portion of their vehicles produced for sale in the United States.

Under the EPCA provisions, vehicles are divided into categories and a manufacturer average for each category is established. The CAFE values are sales-weighted averages of combined fuel economy test results. Tests are conducted in a laboratory by operating vehicles on a dynamometer. The Office of Mobile Sources in the Environmental Protection Agency (EPA) administers the testing program which generates the fuel economy data and determines the procedures for calculating the fuel economy values for CAFE. The Department of Transportation (DOT) is authorized to assess penalties based on the information EPA supplies and to modify the standards.

### What are the CAFE standards?

The CAFE standards for model year 1991 are:

Passenger Cars	27.5 mpg	Combined Trucks	20.2 mpg
	2NM Trucks		20.7 mpg 4WD
	Trucks		19.1 mpg

A -manufacturer must meet either the combined track standard or both the

2NVD and 4WD standards. These standards may be modified by the National Highway Traffic and Safety Administration (NHTSA), part of the Department of Transportation. Such a modification was made in 1986 reducing the standard to 26.0 mpg for passenger cars &rough the 1988 model year and to allow a CAFE of 26.5 mpg for model yen 1989. Another modification eliminating the separate standards for 2WD and 4WD Trucks begins with the 1992 model year. This modification would mean all manufacturers would have to meet the Combined Truck standard in 1992 model year trucks.

### What have been the fleet average CAFE results for past model years?

The following national CAFE values were computed for each fleet, using all manufacturers' CAFE values. They represent the sales-weighted average CAFE for each model year, as reported in 'Light-Duty Automotive

Technology and Fuel Economy Trends through 1990," EPA/AA/CTAB/90-03. All values are given in miles per gallon (mpg).

<b>Model Year</b>	<b>Passenger Cars</b>	<b>Trucks</b>
1975 *		
1976*	15.8	13.7
1977*	17.5	14.4
1978	18.3	<b>15.6</b>
1979	19.9	15.2
1980	20.3	14.7
1981	23.5	<b>18.6</b>
1982	<b>25.1</b>	20.0
1983	26.0	<b>20.5</b>
1984	<b>25.9</b>	20.9
1985	26.3	<b>20.5</b>
1986	27.0	21.4
1987	27.9	21.4
1988	28.1	21.6
1989	28.6	21.2
1989**	28.1	20.9
1990**	27.8	21.0

## What penalties do manufacturers face when they do not meet a CAFE standard?

For noncompliance with a particular year's standard, manufacturers are liable for civil penalties of \$5.00 per vehicle produced for each tenth (0.1) of a mpg the manufacturer falls below the standard (see Section 508 of the Motor Vehicle Information and Cost Savings Act). So, if a manufacturer produces one million cars in a model year and misses the standard by 1.0 mpg, the penalty would be \$5.00 multiplied by 10, then multiplied by one million, to equal \$50 million.

Manufacturers may earn credits which allow them to offset a shortfall in a year following or preceding a year where they have exceeded a standard. Manufacturers may carry these credits backwards or forwards for three years from a year where the standard is exceeded.

For model years 1983 through 1989, over 30 penalties were assessed and a total of almost \$165 million was collected. Companies which paid penalties were all foreign manufacturers, predominately European luxury car manufacturers. For example, in 1989 Mercedes-Benz, Porsche Cars, Peugeot Motors, Volvo Cars, BMW, and Maserati Automobiles were assessed penalties.

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\* Estimated values before official CAFE values calculated.

Estimated instead of actual sales were used in determining the indicated values.